

May 22, 2012

To: Secretary, Postal Regulatory Commission

RE:

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

Dear Madam/Sir,

This comment is being made by Community Newspaper Holdings, Inc. (CNHI), an Alabama-based company, on behalf its 79 daily newspapers, and its numerous other newspapers, TMCs, and shoppers that publish on other frequencies. Our newspapers and other publications circulate in 23 states.

Newspapers provide a voice to citizens in their communities, and it is the commerce of newspapers that supports that voice. Advertising revenue makes up the vast majority of the funding required in gathering, printing and distributing the news and information that is so vital to those citizens. This advertising support allows newspapers to keep the delivery of this information affordable.

The lion's share of this advertising comes from merchants and individuals who are selling durable or semi-durable goods (cars, furniture, clothing, etc.). In addition to being the primary information hub for the public, newspapers also serve as a hub for free trade and commerce.

We are compelled to speak out on the case involving Valassis/NSA. In its claims, the USPS has terribly underestimated the financial impact of the NSA proposal on the newspaper advertising market. It is claiming that its three-year-revenue-impact number of \$107 million represents only 0.6% of 2014 newspaper revenue projections.

The USPS is comparing its postage revenue to our advertising revenue. When assessing the market impact of this proposal, the USPS should discover and exhibit more data that examines Valassis ad revenues versus local newspaper advertising revenue for durable and semi-durable goods.

Advertising for such goods represent significant portion of our total revenues. The Valassis/NSA proposal puts this revenue at extreme risk and throws the playing field (the marketplace) out of balance. Loss of even a portion of this revenue to newspapers would mean a reduction in our ability to print and distribute news and information that is of great importance to our citizens, and it would cause the loss of more jobs in our markets.

Valassis can cancel the agreement with the USPS after 90 days, with 30 days' notice – with no penalty. The Postal Service would be giving Valassis a dramatically-subsidized marketing tool to sell against newspapers – risk free – for four months. This will cause havoc in the marketplace, even if Valassis is not able to secure enough business to suit its needs and simply walks away from NSA. In the meantime, jobs will be lost and valuable information may not be delivered to our citizens.

Additionally, many of our newspapers publish a TMC (Total Market Coverage) and/or a shopper product that is delivered by the Postal Service. These products will face a competitive disadvantage that will be unfairly given to Valassis if this proposal is adopted...giving Valassis a postage rate that is 20% to nearly 40% lower than what newspapers would pay to deliver similar advertising messages.

If this becomes the case, those newspapers that are currently mailing their TMC products will be forced to convert some or all of their TMC delivery from the mail to a private delivery system as a competitive response. This will be a “lose-lose” situation for newspapers and for the USPS.

In 2011, our newspapers paid a substantial amount to the USPS for standard-mail postage in the mail delivery of our TMC products. This is an amount that the USPS can ill afford to lose.

We sincerely request that the Commission reject the proposed NSA request. It is simply not in the best interest of the USPS, nor of the free marketplace.

Respectfully,

F. Steve McPhaul

Executive Vice President, Corporate Operations

CNHI